

IT Initiative Supplement

April 27, 2010

I. Project Description

Project Title: MMIS Replacement

Brief Description of the Project Title:

It is the State's intention to reissue the MMIS Replacement RFP for a new Medicaid Management Information System (MMIS), Pharmacy Benefit Management System (PBM) and Decision Support System/Data Warehouse (DSS). The PBM will include point-of sale processing for pharmacy, drug utilization review support, drug rebate functionality and capability for supply and durable medical equipment claims. The DSS will support MARS and SURS functionality as well as ad hoc reporting, predictive modeling and have sophisticated analytical tools. Montana will replace the current MMIS system with a new system using updated technology. Montana's current MMIS system is mainframe CICS/VSAM and utilizes COBOL legacy language that has been in operation since 1985. The system was previously updated in 1997 and certified by CMS in 1998. Due to the age of our technology and lack of data integrity of our existing system, the Department finds it necessary to update the current MMIS with a system using the most current technology in order to increase the accuracy and timeliness of processing claims. This system processes claims for Medicaid, Children's Health Insurance Plan (CHIP) and Mental Health Services Plan (MHSP).

Statewide Priority: 1

Agency Priority: 1

Estimated Completion Date: July 2013

IT Project Biennium: SFY 11-12

Request Number: RFP10-1708P

Version: 1.0

Agency Number: 6901

Agency Name: Department of Public Health and Human Services

Program Number: HB2-12 Program 12/Speed Chart WZ47S

Program Name: Medicaid and Health Services

A. Type of Project (check all that apply)

Enhancement

Replacement X

New

O&M

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B. Type of System (check all that apply)

Mid-Tier	
Mainframe	
GIS	
Web	X
Network	X
Desktop	X

II. Narrative

C. Executive Summary

Description:

Montana is requesting a replacement MMIS for the Medicaid program.

Project Purpose and Objectives:

The Department hired an independent contractor to perform an analysis of our current MMIS and make recommendations to the Department regarding whether we can continue with our existing system, perform a major enhancement or implement a new system. Based on this analysis, the Department chose to procure a new MMIS system. The list below identifies areas of concern with our existing system. This list below is not meant to be all inclusive, but to highlight the major findings as of the date of this report:

- Numerous systems that do not interface with each other or with the data warehouse making analysis and reporting cumbersome. There is a need for a multi-plan MMIS (Medicaid Management Information System) and Pharmacy Benefits Manager to allow for management of all health care programs in one system and to exchange client data across programs to better manage care.
- Outdated Technology: The current MMIS uses outdated technology and an older, inflexible technical design. DPHHS has tried to maintain the functionality of the MMIS; however, it is an extremely tenuous system often requiring “Band-Aid” solutions. The independent contractor determined that the current MMIS is incapable of meeting expectations and future needs.
- The Needs Outgrew the System: The Medicaid program has become increasingly complex, with service changes, eligibility changes, and new regulations (e.g., the Health Information Portability & Accountability Act (HIPAA)). New program needs are difficult to address with the existing system. Labor-intensive “workarounds” are used to address these changes in the short-term, but do not represent a long-term solution. Implementation of new payment methodologies is expensive and time-consuming.
- Inability to make the changes necessary to manage programs: The current Change System Request (CSR) process is priority based and there are over 120 active requests in the pipeline. Major CSRs, like NPI changes, take first priority, while some other CSRs have been on the schedule for as long as 4 years.
- Ongoing federal regulations: Mandated changes may “break the bank” with regard to this system. The adoption of ICD-10 will require so much reprogramming to create any

semblance of functionality, that it will be the only priority and will cost a (yet to be defined) significant amount of money.

- **Costly to Maintain:** Because the MMIS is based on outdated technology and older, inflexible programming, it is costly to maintain, operate, and enhance.
- **Inadequate Analytical Tools:** The current data warehouse and decision support system (DW/DSS) does not provide adequate data and the analytical tools currently available are either inadequate or not user-friendly. The ability to download data to Excel and test formats must be retained to facilitate analysis outside the DW/DSS. There is a need to enhance the hospital cost settlement report process to more easily incorporate Medicare cost report information. The new DSS/DW tools offered today have the capability to create and update state and federal reports without having to prioritize in the CSR priority process. The newer versions available also have user-friendly SURS and Fraud and Abuse (FAD) components.
- **Improved financial control and reporting:** The current MMIS does not stamp the correct account coding on claim lines and payment transactions nor does it provide adequate tracking for federal reporting. There is a need for full function accounts payable and receivable modules in the MMIS and account and federal reporting codes should be stamped on all claim lines and other payment transactions during adjudication. There is also a need to be able to limit provider payments to the amount authorized in care plans and provider contracts in order to incorporate programs now supported by Agency Wide Accounting System (AWACS).
- **Inability to create pro-forma analysis of new regulations, new programs, rate increases, etc:** In order to determine the impact of specific program changes, staff must manually manipulate data. Furthermore, it is impossible to determine the effects of care management interventions as an opportunity to prevent utilization of higher end services, because the system cannot aggregate data across programs.
- **Test environment:** The test environment and supporting processes are inadequate to manage multiple system changes. Consequently, several changes are made before testing can commence. If testing fails, it is difficult to determine which changes caused the problem.
- **The system cannot manage clinical data:** Prior Authorizations claim attachments, etc. must be managed manually because the system cannot interpret HL7 messaging and data.
- **Inability to perform Direct Data Entry for claims submission (DDE):** As Montana strives to increase its percentage of electronic claims; DDE is an option that would be of value to providers that currently do not bill electronically in that providers would not have to purchase software to bill Medicaid. The Department feels that having the DDE capability would encourage those providers to begin billing electronically.

It is expected that a replacement MMIS will address the concerns outlined above.

Technical Implementation Approach:

Once the RFP is awarded and funding is secured, the successful MMIS Fiscal Agent will begin to gather the system requirements and meet the requirements laid out in the RFP. Because we have an existing Fiscal Agent, we are able to run the existing MMIS concurrently with the new system for 30 days to ensure the new system is functioning properly. If problems arise in the new system, the State works with CMS to gain approval for running the systems an additional amount of time after the 30

days. The new MMIS contractor will be responsible to maintain the system and operate all the functions required of the fiscal agent. The Department will contract for an external project manager to assist in the implementation of the new MMIS.

Project Schedule and Milestones:

- **Estimated start date:** April 2011
- **Estimated end date:** July 2013
- **Major project milestones:**

MMIS/PBM/DSS Procurement Activities	
MMIS/PBM/DSS Procurement	
RFP	
Submit Draft RFP to CMS	February 2, 2010
Receive Comments from CMS	March 2, 2010
Final RFP for New MMIS Due to CMS	March 8, 2010
Receive CMS Approval for RFP	April 2, 2010
Release RFP	April 6, 2010
RFP Evaluation Plan	
RFP Evaluation Plan to CMS	April 9, 2010
Receive CMS Approval for Evaluation Plan	May 14, 2010
Evaluation and Contract	
RFP Responses Due	July 9, 2010
Completion of State Review of RFP Responses	December 17, 2010
Contract and Proposal to CMS	January 28, 2011
Receive CMS Approval of Contract	March 31, 2011
Contract Awarded/Effective Date of Contract	April 1, 2011
MMIS/PBM/DSS Implemented	July 1, 2013
Project Manager Procurement Activities	
Engage project manager	July 13, 2009
IV&V Contractor Procurement Activities	
Procure IV&V Contractor Services after receiving CMS approval for RFP, PEP and contract	February 1, 2011 – May 31, 2014
Design, Development and Implementation of MMIS/PBM/DSS (DDI)	April 1, 2011 – June 30, 2013
Go Live Date	July 1, 2013
Fiscal Agent Services	
Initial Contract	July 1, 2013 – June 30, 2017

Extension Year 1	July 1, 2017 – June 30, 2018
Extension Year 2	June 1, 2018 – June 30, 2019
Extension Year 3	July 1, 2019 – June 30, 2020
Extension Year 4	July 1, 2020 – June 30, 2021

D. Business and IT Problems Addressed

This EPP requests funding to replace the current MMIS system with a new system using updated technology. Montana's current MMIS system is mainframe CICS/VSAM and utilizes COBOL legacy language that has been in operation since 1985. The system was previously updated in 1997 and certified by CMS in 1998. Due to the old technology and data integrity of our existing system, the Department finds it necessary to update the current MMIS with a system using the most current technology in order to increase the accuracy and timeliness of processing claims. This system processes claims for Medicaid, Children's Health Insurance Plan (CHIP) and Mental Health Services Plan (MHSP).

E. Alternative(s)

Alternatives Considered:

What alternatives were evaluated?

The Department hired an independent contractor to perform an analysis of our current MMIS and make recommendations to the Department regarding whether we can continue with our existing system, perform a major enhancement, or implement a new system. Based on this analysis, the Department chose to procure and implement a new MMIS system.

What are the estimated costs of the various alternatives over a 5 year period?

Continue with existing MMIS:	\$63,918,157
Major enhancement to existing MMIS:	\$104,858,060
Implement a new MMIS:	\$105,758,980

Rationale for Selection of Particular Alternative:

Why was the preferred alternative selected over the other alternatives?

The current system has been in operation for 20+ years and it is felt to be a risk due to the age and inflexibility of the MMIS as well as less than adequate functionality in the current DW/DSS. Keeping the current MMIS with major enhancements was not chose because of the experience another state is currently undergoing, the cost will be just as much, if not more than a replacement. Therefore, the Department opted for the replacement option.

F. Narrative Detail

The Department includes management and administration of all activities related to Title XIX Medicaid Program, Title XXI State Healthy Montana Kids (HMK), and the State funded Mental Health Services Plan (MHSP). In State Fiscal Year 2009 (July 1 through June 30), there were a total of 118,215 unique individuals eligible for the Title XIX program (including QMB only clients); 25,299 unique individuals eligible for Title XXI program, or an average of 17,500 children enrolled per month (the number of XXI enrollees was 18,760 for July 2009), with up to an additional 29,000 children expected to enroll under the new Healthy Montana Kids program; and 7,836 unique individuals eligible for the MHSP program. In State Fiscal Year 2009, the Department reimbursed \$682 million for title XIX (DOS through November), \$3.0 million (dental and eyeglasses claims only) for Title XXI and approximately \$9.5 million (total) for MHSP benefits. An additional \$82.0 million was expended for Medicaid 1915(c) waivers for persons with developmental disabilities (DD) in SFY 2009 outside the current MMIS system.

Montana Medicaid offers a generous benefits package to those clients who are eligible. These services include (this is a representative sample of benefits and is not an all-inclusive list):

Inpatient hospital	Durable medical equipment, prosthetics and supplies
Outpatient hospital	Optometric, optician and eyeglasses
Lab and X-ray	Transportation and per diem
Nursing facility	Ambulance
EPSDT	Specialized non-emergency transportation
Physician	Family Planning
Podiatry	Home and community services
Physical therapy	Mid-level practitioner
Speech therapy	Hospice
Occupational therapy	Licensed psychologist
Audiology and hearing aids	Licensed clinical social worker
Personal care	Licensed professional counselor

Home dialysis	Inpatient psychiatric
Clinics	Mental health center
Dental and dentist services	Case management
Pharmacy	Institutions for mental diseases for persons age 65 and over
Home Health	Indian Health Services (IHS)

- Currently pharmacy benefits are available under the Medicaid and Mental Health Services Plan (MHSP) plans. However, the PBM must be expandable such that pharmacy coverage can be added to other plans with no system enhancements or other development activities.

The other health care programs pay for services similar to Medicaid but may also pay health insurance premiums. The services are paid by a number of payment methodologies: fee for service, percent-of-charges, Resource-Based Relative Value Scale (RBRVS); Diagnosis Related Groups (DRG); Ambulatory Payment Classification (APC); Prospective Payment System (PPS), Relative Value for Dentists (RVD) and negotiated rates.

Montana Medicaid eligibility categories for clients include:

Pregnant Women
 Qualified Medicare Beneficiary (QMB)
 Supplemental Low-Income Medicare Beneficiary (SLMB)
 Qualified Individual (QI)
 Aged, Blind, Disabled
 Poverty Children
 Transitional Medicaid
 Family Medicaid

Waivers – For further description of these waivers, see Appendix 1.

- Behavioral Health Waiver for Adults with Severe Disabling Mental Illness (SDMI)
- The “Community Supports” Waiver (0371) – 1915 (c)
- MT – PRTF Waiver 1915 (c) Home and Community Based Waiver
- The Developmentally Disabled Waiver (0208.90) – 1915 (c)
- Home and Community Based Services Waiver – SLTC - 1915 (c)
- Montana Basic Medicaid for Able-Bodied Adults 1115(a)
- Montana Passport to Health 1915 (b) - Care Management Program
- Family Planning 1915 (b)

Client Lock-In

Disease Management

Other programs that are housed on the current MMIS include:

- Healthy Montana Kids (HMK) – for processing dental, vision and extended mental health claims only
- Mental Health Services Plan (MHSP)

The Montana Breast and Cervical Health Program (MBCHP) is managed by the Public Health & Safety Division.

III. Costs

G. Estimated Cost of Project:

Estimated Cost of Project	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Total
1. Personal Services - IT Staff	275,922	627,820	627,820	627,820	144,882		2,304,264
2. Personal Services - Non IT Staff							0
3. Contracted Services		9,423,352	18,301,352	14,274,352	1,763,137		43,762,192
4. ITSD Services							0
5. Hardware	4,500						4,500
6. Software							0
7. Telecommunications	7,402						7,402
8. Maintenance							0
9. Project Management	213,750	185,250	185,250	185,250	85,500		855,000
10. IV & V		1,046,717	1,046,717	1,046,717	241,550		3,381,700
11. Contingency							0
12. Training	4,500	7,862	7,862	7,862	3,931		32,017
13. Other	51,984						51,984
Total Estimated Costs	558,058	11,291,000	20,169,000	16,142,000	2,239,000	0	50,399,059

Total Funding:

IV. Funding

H. Funding

Total Funding							
Fund	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Total
1. 03598	486,515	9,843,494	17,583,335	14,072,596	1,951,960	0	43,937,900
2. 05135	71,543	1,447,506	2,585,666	2,069,404	287,040	0	6,461,159
3.							0
4.							0
5.							0
6.							0
Total Estimated Costs	558,058	11,291,000	20,169,000	16,142,000	2,239,000	0	50,399,059

Cash/Bonded:

Bill Number:

V. Cost upon Completion

1. Operating Costs upon Completion

Estimated Cost of Project	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Total
1. Personal Services - IT Staff	275,922	627,820	627,820	627,820	144,882		2,304,264
2. Personal Services - Non IT Staff							0
3. Contracted Services		9,423,352	18,301,352	14,274,352	1,763,137		43,762,192
4. ITSD Services							0
5. Hardware	4,500						4,500
6. Software							0
7. Telecommunications	7,402						7,402
8. Maintenance							0
9. Project Management	213,750	185,250	185,250	185,250	85,500		855,000
10. IV & V		1,046,717	1,046,717	1,046,717	241,550		3,381,700
11. Contingency							0
12. Training	4,500	7,862	7,862	7,862	3,931		32,017
13. Other	51,984						51,984
Total Estimated Costs	558,058	11,291,000	20,169,000	16,142,000	2,239,000	0	50,399,059

2. Funding Recap

Total Funding							
Fund	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Total
1. 03598	486,515	9,843,494	17,583,335	14,072,596	1,951,960	0	43,937,900
2. 05135	71,543	1,447,506	2,585,666	2,069,404	287,040	0	6,461,159
3.							0
4.							0
5.							0
6.							0
Total Estimated Costs	558,058	11,291,000	20,169,000	16,142,000	2,239,000	0	50,399,059

V. Risk Assessment

A. Current IT Infrastructure Risks

1. Current application 10+ years old? Yes

Date of last major upgrade?

The system was previously updated in 1997 and certified by CMS in 1998.

2. Current application is based on old technology?

Yes

If yes, what is the current hardware platform, operating system, and programming languages used to support the application?

Montana's current MMIS system is mainframe CICS/VSAM and utilizes COBOL legacy language that has been in operation since 1985.

3. Is the agency not capable of maintaining the current application with internal technical staff?

Yes

If yes, who supports the application today?

The agency contracts with Affiliated Computer Services (ACS) for all maintenance, technical support, and enhancements of the Medicaid system.

4. Other IT infrastructure risks?

If yes, provide further detail.

B. Current Business Risks

1. What are the risks to the state if the project is not adopted?

The agency is facing a federal mandate to implement and support ICD-10 by October 2013. Given the age of our current system and its limitations, we have determined that we will be unable to implement ICD-10 (we are currently using ICD-9 coding) in the legacy system. Failure to support ICD-10 coding will prevent the Department from accepting cross-over claims from Medicare or other insurance carriers.

2. Does the current application meet current business requirements?

No

If "no", what specific business functions does the application lack?

The MMIS would be enhanced to include new business functionality identified during the Medicaid Information Technology Architecture (MITA) assessment as well as new functionality required by Federal law. In addition, the vendor will be required to provide a modern system architecture (enhance maintainability; upgrade data access and storage capability, etc.) The MMIS will be able to support multiple benefit plans including managed care plans, premium payment plans, and multiple fee-for-service plans with different claims adjudication policies. The new MMIS will process all claims for Medicaid, the State Mental Health Services Plan (MHSP), the Developmental Disabilities Program, the Breast and Cervical Cancer Program, as well as designated CHIP claims. The system will also need to have the flexibility to process claims from other programs that are not listed here.

C. Project Risk Assessment

1. Describe any major obstacles to successful implementation and discuss how those obstacles will be mitigated.

The current MMIS Fiscal Agent performs many functions for the various Medicaid programs. With this new system, staff will have the ability to define the business processes and requirements for a potentially

new vendor in addition to performing their current jobs. To mitigate this risk, the Department will hire temporary staff positions to assist existing staff with their current job tasks while they are assigned to this project.

Any modernization initiative faces risks of successful implementation. To mitigate these risks, the Department has hired an external Project Manager and the Department will assign existing experienced state staff to the MMIS modernization project. In addition, there will be regular meetings with the IT Executive oversight group comprised of Division Administrators and representatives from ITSD.

Table H Risk Assessment

Description	Severity (H/M/L)	Probability of Occurrence (%)	Estimated Cost	Mitigation Strategy
Large custom development project	H	100%	15% of total	Procure a system where the vendor is able to demonstrate all required functions are currently working
Multiple large projects for the agency and restricting staff availability	H	100%	10% of total	Strong coordination between TSD, DPHHS Director's Office, ITSD, and the Governor's Office.
Project management	M	50%	10% of total	Hired an experienced external project manager with the support of an experienced IV&V.
Cost management	M	20%	5% of total	Execute firm fixed price agreement with selected vendor.